

HOUSE APPROPRIATIONS COMMITTEE HEARING, S.B. 1040

Remarks by NICK CIARAMITARO, Director of Legislation and Public Policy, Michigan AFSCME Council 25

May 21, 2012

Mr Chairman and Members:

For the record my name is Nick Ciaramitaro and I am Director of Legislation and Public Policy for Michigan AFSCME Council 25. Michigan AFSCME has grave concerns about S.B. 1040 and its impact on the 10,000 plus members of our organization that work in public schools, community colleges and universities in Michigan.

Michigan AFSCME does not represent teachers. Nor do we represent highly paid administrators. But we do represent hard working people who keep our schools clean, transport our students to school, feed them, do essential paperwork and more. These custodians, bus drivers, bus attendants, food service workers, groundskeepers, audio video techs, secretaries and administrative assistants do not make high wages, do not retire with high pensions but have taken huge concessions in wages and benefits over the last several years *both* at the bargaining table and as a result of legislation. Many earn less than \$30,000 per year. Some are paid less than \$20,000 per year. Yet they have seen increases in their health care costs and many have taken wage reductions of between 10 and as high as 33% in recent years.

We are, therefore, greatly concerned about the disproportionate impact this legislation would have on their livelihood. Let me explain how.

For example, in addition to the large increase in employee fees included in this proposal bringing employee contributions between 8 and 11 percent of wages in the Senate version and 7 and 10 percent in the proposed House substitute, the current exemption and reduced contributions for the first \$5,000 and \$15,000 of wages that exists is eliminated. The House substitute also eliminates the reduced contribution for the 3% health care contribution for those earning less than \$18,000 per year. The federal poverty level for a family of 3 is \$19,090 a year! The very small cost and high benefit this minor protection for low wage earners should, at a minimum, be restored.

By the way that 3% fee for health care costs which is continued in both the Senate version and the House Substitute has no guarantee that employees will even have health care when they retire. The Michigan Court of Claims has already ruled this selective income tax unconstitutional and the issue is currently before the Court of Appeals. A similar fee was eliminated by HB 4701 for state employees last year.

Health care benefits are completely eliminated for new hires – creating a new crisis in the future in increased unreimbursed care costs for hospitals and Medicaid. We will, ironically replace the current crisis which was generated by mistakes made 20 years ago with a new and different crisis 30 years from now.

But let me be clear. It is not our position that there is no problem that needs to be addressed. This problem has been neglected for far too long and is not a surprise to me or AFSCME. Indeed, we have been warning of the danger to retiree benefits for years. The bipartisan decision of the Blanchard and Engler Administrations and legislators at that time to defund efforts to prefund health care for public school retirees was a serious error. I said so then. AFSCME said so. And many of the others who have addressed this subcommittee in opposition to this bill said so. So we are very pleased that both the Snyder Administration and the House Substitute seeks to prefund health care benefits.

We believe we must look to a *balanced* approach to resolving the problem rather than placing the onus entirely on the workers and retirees who were no part of and even objected to the mistakes of the past.

I hope you will consider some or all of the following alternatives.

We urge you to insist that the final version of this bill provide for prefunding MPSERS retiree health care. This is not an all or nothing decision. But part of the solution must include some prefunding and increased prefunding as the economy allows. If the Governor and the Legislature's prediction that massive business tax cuts already adopted will pay for themselves by an improved economy than some of the revenues that come from that improved economy should be used to meet the State's obligation. If the business community does not respond to the massive tax cut with new, well-paying jobs but instead pockets the savings than the tax cut should be rolled back and business should bear its fair share of the cost of educating tomorrow's workers.

Next, we urge you to protect any worker required to make a contribution to the 115 trust funds. Either repeal the 3% assessment or provide for a contractual recognition of the retiree health care they are buying. In finding that health care benefits were not contractually required, the Supreme Court in the Studier decision *expressly* found that the *legislature* had the authority to provide a contractual right and that such a decision would be binding.

Recent history has found workers, retirees and the state spending far too many resources on litigation because we did not work together to find viable and balanced solutions to problems. We should save that cost (and the anxiety generated for all) by seeking an answer to the real problems together.

If you take some or all of these recommendations and if we work together to find other solutions then current retirees can be spared and fees and benefit reductions can be partially or fully prevented. We could be debating a proposal that *shares* required sacrifices and we may even avoid costly litigation. AFSCME will not shirk from doing its fair share but we cannot support any proposal that places the entire burden on the backs of our members and other public education workers.

In closing I want to remind the members of this Committee that this issue involves billions of dollars and impacts the future of thousands of school employees and retirees. It should not be rushed. We should take the time necessary to work together for real and fair solutions. Michigan AFSCME stands ready and willing to work with you in reaching that goal. Thank you for the time to make these remarks today and I'll be happy to answer any question you may have.